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Letter dated 20 July 2001 from the Secretary-General to the President of the Security Council

I have the honour to transmit to you herewith a letter dated 18 July 2001 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General (see annex).

I should be grateful if you would bring the present letter to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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Annex

Letter dated 18 July 2001 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the nineteenth report on the activities of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see enclosure). I would appreciate your making this report available to the Security Council.

I look forward very much to addressing the Security Council in September and to seeing you in the very near future to discuss the current situation in Bosnia and Herzegovina.

(*Signed*) Wolfgang **Petritsch**

Enclosure

Report by the High Representative for the Implementation of the Peace Agreement to the Secretary-General

24 February 2001-11 June 2001

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the nineteenth report to the Council.

The report covers the activities of the Office of the High Representative and developments in Bosnia and Herzegovina during the period from 24 February 2001 to 11 June 2001.

SUMMARY

In the reporting period, my priority has been to accelerate peace implementation in the three key strategic areas identified by the Peace Implementation Council (PIC) in May 2000: economic reform, refugee return and the consolidation of the State institutions. Special attention has been directed at tackling the Croat nationalist challenge to the constitutional order and to the worrying situation in RS, as well as at the implementation of the crucial decision of the BiH Constitutional Court commonly known as the "Constituent Peoples Case".

1. The new non-nationalistic authorities at the State and Federation level, as well as the IC, faced serious challenges from the forces that dominated BiH life in the last 10 years:

- On 3 March, the HDZ –which had been ousted from power by the "Alliance for Changes" after the November elections- proclaimed the so-called "Croat Self-Rule". Four days later I decided to remove Mr. Jclavic -Croat member of the BiH Presidency and HDZ President- from his positions, as he personally led this serious violation of the constitutional order. On 6 April, I appointed a Provisional Administrator for the Hercegovacka Bank, which acted as the financial backbone of the HDZ-led illegal parallel structures. The new Federation authorities successfully thwarted the HDZ efforts to disrupt the Federation Government, especially on financial and military matters. I have made it clear to the HDZ that they can always return to those institutions they had left, but that the IC will never compromise on BiH's constitutional principles.
- The Alliance-led Council of Ministers (CoM) faced constant obstruction from Republika Srpska (RS) authorities. I have demanded the latter to change their attitude; only in this way the RS's viability will be guaranteed. Moreover, the attempts in May to lay foundation stones of mosques in Banja Luka and Trebinje –demolished by Serb extremists during the war- were disrupted by serious Serb nationalistic violence. Following my demand to the RS authorities to take swift measures conducing to reconciliation and reform within the RS society, they publicly apologized for the violence, the RS Interior Ministry's leadership was replaced and a multi-ethnic Reform and Reconciliation Committee was established under the auspices of the RS President.

2. On 5 March RS and FRY signed an agreement on Special Parallel Relations (SPR), as provided for in the General Framework Agreement for Peace (GFAP). I ensured that the agreement's text and spirit fully respect BiH's sovereignty and territorial integrity. My Office has a supervisory role in the agreement's implementation and will be involved in the drafting of its annexes
3. The Communications Regulatory Agency (CRA) –merging IMC and TRA- started to work in March. The CRA is a state-level regulator for the media and the telecommunications sectors.
4. The Independent Judicial Commission (IJC) - successor to UNMIBH's JSAP and tasked with overseeing reform of the BiH judiciary – had significantly increased its staffing by the end of April, including deployment of its field teams.
5. Following my Decision in February imposing binding arbitration over the delineation of the Inter Entity Boundary Line (IEBL) in Dobrinja (a Sarajevo suburb), the special Arbitrator issued his Award on 24 April. Its implementation has been carried out satisfactorily.
6. On 7 May Radio PBS (Public Broadcasting Service) started broadcasts for the whole of BiH. For the first time since the disintegration of the former Yugoslavia, BiH has a statewide broadcasting capability
7. Following the BiH Constitutional Court's decision on the "Constituent Peoples Case", the process of constitutional reform progressed steadily in both Entities. These constitutional changes will have a decisive impact on the future outlook of BiH's social and political life.
8. Under my separate mandate for the succession of the Socialist Federal Republic of Yugoslavia (SFRY), I mediated the final round of the negotiations in Vienna, together with the Special Negotiator, Sir Arthur Watts. On 25 May, the five successor states initialed an agreement that provided for the distribution of its rights, obligations, assets and liabilities.

I. POLITICAL ISSUES

1. State Institutions

1. On 27 March the BiH House of Representatives (HoR) elected Beriz Belkic (SBiH) and Jozo Krizanovic (SDP) as the Bosniak and Croat members of the BiH Presidency respectively. The House of Peoples (HoP) confirmed this election on 30 March.

2. Following its formation on 22 February, the new CoM, under the chairmanship of Mr. Bozidar Matic, began working in an efficient manner. The CoM adopted its Work Programme in March and has made some progress in its implementation since. However, legislative activities and the implementation process are regularly challenged and obstructed by RS authorities, on the grounds that the CoM's legislative agenda invades the RS competencies. I have demanded the RS authorities to clarify their objections constructively and cooperate with CoM, for the benefit of RS's viability and BiH's normalization, especially in view of its participation in the European integration processes.

3. In order to ensure the effective functioning of the State institutions, the new State authorities and my Office have started investigating various other means of financing the State Budget, as it is currently almost entirely dependent on contributions from the Entities. We expect to find independent sources of income for the State in the

nearby future, and will work to this end in close cooperation with local authorities and international financial institutions.

4. Progress in the BiH Parliamentary Assembly, however, has been less satisfactory. The Alliance, a fragile coalition with a very tight majority of 22 out of 42 delegates in the HoR, is proving increasingly difficult to hold together. The BiH Parliamentary Assembly has not passed any new legislation of major importance to date. One positive development is that the HDZ delegates in the HoR, after a boycott of State institutions that lasted several months, are pursuing their goals from their elected seats once again. They have been especially active during the debate over the BiH's Election Law.

2. The Entities and Brcko

a) Republika Srpska (RS)

5. Since February, several positive developments have occurred in the RS. Prime Minister Ivanic managed to stabilize the social-economic situation, by increasing the efficiency of tax collection and, to some degree, improving fiscal discipline. Important progress on constitutional changes was made in April as the re-shaped Constitutional Commission agreed on draft amendments to the RS Constitution.

6. On the negative side, the effort to reconstruct religious sites demolished during the last war was set back when mosque cornerstone laying ceremonies in Trebinje and Banja Luka were disrupted in May by violent protests (which resulted in one death and several injuries) and had to be postponed. Following these events, my goal has been to ensure that the RS handles the fallout from these crises in a robust and comprehensive manner. I immediately demanded an investigation into the violence; immediate changes of leadership in the Ministry of Interior; public condemnation and an apology by top RS officials; repetition of the ceremonies and the establishment of a multi-ethnic Reform and Reconciliation Committee under the auspices of the RS President. Even though they have complied with most of these demands, I am following closely the RS authorities' performance on all these issues.

7. The agreement on SPR between RS and the Federal Republic of Yugoslavia (FRY) was signed on 5 March and ratified on 7 June. Although the concept of "special" relations between an Entity and a neighboring country is an outdated concept, such an agreement is a right of the Entities, in conformity with the GFAP. The strong reference to the GFAP and to the BiH Constitution in the preamble of the agreement is the basis for subsequent annexes, which will elaborate the scope of the co-operation.

8. Some Bosniac and Croat members of the RS Constitutional Commission opposed the ratification of the agreement on SPR claiming that it violated their vital national interest. In their opinion, an agreement between BiH and FRY was required and not one between the RS and FRY, which –they believed- violates the BiH Constitution. In my official response to their claim, I stated that the contents of the agreement did

not violate their national interests and that it was in complete conformity with the BiH Constitution.

9. In the text of the agreement, my Office has been guaranteed a supervisory/ monitoring role and will be involved in the drafting of the annexes. However, I attach crucial importance to more intensive state-to-state relations. Some of the problems which are important for the RS and its residents can only be solved at the State level (citizenship, border regime, etc) and not at the Entity level.

b) Federation

10. Nearly four months after the November 2000 elections, the Federation of BiH got its first non-nationalist government on 12 March. It was formed by the "Alliance for Changes". However, this new Government was challenged by the HDZ leadership and the so-called 'Croat National Assembly (HNS),' which on 3 March voted to establish an unconstitutional 'Croat self-rule in BiH'. In late March HDZ radicals in Mostar moved to oust that city's Mayor, Mr. Tomic (a moderate HDZ member). These attempts failed due to a lack of the necessary votes in the Municipal Council. However, HDZ hard-liners continue to pressure Mr. Tomic, who they see as an obstacle to the establishment of a separate Croat entity. 'HNS' officials also instructed Croats and their legally elected representatives to reject the newly elected Federation Government. On 13 March, HDZ officials ordered the disbanding of the Croat component of the Federation Army, followed on 28 March by a walkout of Croat officers and soldiers from their barracks.

11. The efforts of this illegal "Croat Self-Rule" to control the Federation financial institutions (mainly, the customs offices) in the Croat-majority areas has failed, thanks to the firm attitude of the Federation government.

12. On 16 May, Federation Defense Minister Anic and some BiH Croat Generals brokered a tentative agreement which allowed Croat soldiers one month to renew their contracts with the Defense Ministry and return to their barracks. As the time period for this report expired, the official agreement broke down, but a significant number of Croat soldiers -- particularly from Central Bosnia and from the northern region of Posavina -- had reportedly renewed their contracts.

c) Brcko

13. I continue to be satisfied with developments in the Brcko District (BD). One year after its establishment, progress continued in particular in the areas of:

- Return: Both entities and the BD Government are enacting a joint program for Displaced Persons' (DPs) housing reconstruction worth 6 million KM (1 KM = $ 0.5 approx.), which should result in 500 housing resolutions in the current year. The BD continues to be in the top 5% of municipalities in the Property Law Implementation Program (PLIP), with an average of over 100 properties reinstated each month.

- **Judicial system: A modern judicial system -consisting of a basic court, an appellate court, a legal aid center and a judicial commission- was established on 1 April and is functioning well under a set of progressive District laws**
- Budget: **A transparent budget was adopted in April and the District is financially self-sustainable, a result of the District Government's efforts to collect all revenues to which it is entitled.**

14. **Both Entities' Governments have shown, in general, a positive and supportive attitude towards the District, including efforts towards an integrated educational system. The latter, however, is not yet reflected by the attitude of local Serb political parties. Both Prime Ministers have appointed permanent Liaison Officers to facilitate dialogue and communication. I fully endorse the BD Supervisor's current focus on privatization, tax legislation and re-opening navigation on the Sava river.**

3. Election Issues

15. **In view of the fact that the November 2000 elections were the last for which the OSCE bore responsibility, the adoption of an Election Law has become particularly pressing. The adoption of such a Law is one of the main obligations stemming from the Declaration of the Peace Implementation Council (PIC) held in Brussels in May 2000. It is also one of the primary conditions for the accession of BiH to the Council of Europe and for the fulfillment of the EU Roadmap. A Draft Election Law, prepared by a group of experts under the joint auspices of OSCE and my Office, was adopted by the CoM on 12 April and is currently pending before the Parliamentary Assembly.**

4. Removals

16. **This reporting period started with the full-blown challenge to the constitutional order by the HDZ, which proclaimed the so-called "Croat Self-Rule" In view of this, I decided to remove this party's leadership (four people), including Ante Jelavic, the Croat member of the Presidency. Following the 6 April violence in Herzegovina, which is described in detail in Chapter III, on 26 April I removed the Minister of Interior of Canton 7 (Mostar), Dragan Mandic.**

17. **All over the country, I dismissed two more public officials for serious and persistent obstruction of the Peace Agreement Furthermore and I suspended three officials for the same reasons. In addition, my policy of demanding the authorities to dismiss themselves their obstructive officials, bore fruit in May, when the RS Ministry of Interior's top officials were forced to resign or were dismissed following the violence in Banja Luka and Trebinje.**

5. Civil Information Management and Documents

18. My Office turned over the completed package of five State laws dealing with the implementation of civil registries and issuance of common identification cards and drivers licenses to the Ministry of Civil Affairs and Communications (MCAC) in April 2001. This package also included a State law on data protection that secures the

rights of individuals regarding the government use of the data, which meets the Council of Europe standards.

19. The MCAC introduced these laws for governmental approval in May 2001 and on 9 June the CoM adopted the laws and forwarded them to the Parliamentary Assembly. Technical preparations with relevant State and Entity ministers are nearly complete.

6. BiH in the European Integration Process

20. Due to the inability of the Parliamentary Assembly to get important legislation passed, the pace of the European integration progress has been disappointing. A significant number of conditions remain to be fulfilled on the EU's Road Map, among them the adoption of the Civil Service Law. In addition, the most important of the pre-accession criteria for BiH's accession to the Council of Europe, the adoption of an Election Law, remains uncertain.

II. ECONOMY

1. General Overview of the BiH Economy

21. A preliminary analysis indicates that BiH experienced a GDP growth of approximately 5% in 2000. Predicted growth rates in the double digits failed to materialize due to the fact that economic reforms are only beginning to be implemented as well as to a severe drought.

22. Net salaries increased in both Entities, contributing positively to consumer demand. The inflation rate (retail price index) continued at a very low level in the Federation and remained at a higher level in the RS. The employment situation did not change substantially in 2001- a level of 646,000 official jobs was maintained. However there is a persistently high level of unemployed persons. In addition to the serious situation in the social sector (high unemployment and low pension level payments), the problems in the trade balance and the balance of payments are causes for concern.

2. Economic Reform

23. Further economic reforms – particularly in privatization of public utilities and restructuring – must be accelerated in 2001. While an increased inflow of foreign direct investment would facilitate the restructuring of the economy, the creation of a favorable investment climate remains a challenge for the BiH authorities. These are major priorities, to which OHR has devoted a great deal of attention and resources, following the recommendations of the PIC Steering Board.

a) Regional and European Economic Integration

24. The Stability Pact provided a useful forum for regional collaboration. My Office noted with satisfaction that the BiH Ministry of European Integration has become a full and active partner in the Pact's economic activities held under the auspices of

Working Table II on Economic Reconstruction and Development. Further, it was confirmed that BiH would assume the co-chairmanship of Working Table II for the second half of 2001.

25. Accession to the EU remains the principal longer-term political objective and economic aspiration. Key legislation required by the EU Road Map, such as the Law on Consumer Protection and the Law on Competition, are awaiting parliamentary approval.

b) Tax Reform

26. My Office has taken a lead role in tax reform and, through the IAG-T (International Advisory Group on Taxation), has accelerated the process and improved co-ordination. The IMF project on harmonization of the sales taxes was finished in April 2001 with an agreement between the two entity governments. An agreement has been reached that the Brcko District would harmonize its Sales Tax Law with the Entities no later than August 2001. By January 2002, a harmonized Income Tax Law should be in place throughout BiH.

c) Privatization

27. In the RS, the voucher offer that began in November of last year ended on 15 March. Citizens and 13 Privatization Investment Funds (PIFs) were offered 55% of state equity in 830 enterprises. Of a total of 49 million vouchers issued, over 84% were utilized. In the Federation, the first wave of Public Offering of Shares (POS's) was completed on 28 March. A total of 542 enterprises were offered to certificate holders, with the amount of certificates subscribed at 4.25 billion KM.

28. In the RS, the IC has committed to provide assistance for 52 enterprises selected by the International Advisory Group on Privatization (IAGP) for tender privatization. In the Federation, 86 enterprises were selected by the IAGP for tender privatization, with consultant assistance being initiated by IC donors.

29. In the fields of public utilities, public services, infrastructure development and natural resource exploitation, public sector participation (PSP) is usually arranged by way of concessions. An Inter-Governmental Working Group, which had the full participation from the BiH CoM, both Entities and international experts, completed its work in May 2001 and submitted fully-harmonized, draft concession laws to the BiH and Entity governments for adoption.

d) Public Utilities

30. The five-member, Prime Minister-level, BiH Commission on Public Corporations (CPC) met on 17 April after a five-month hiatus. The two new Entity PMs and the new Federation Deputy PM have assumed their role on the Commission and agreed to move forward with work on the analysis and design of new Annex 9 public corporations in the fields of gas transportation, power transmission, radio transmission infrastructure and posts.

e) Transport

31. The Railway Public Corporation (RPC), designed to manage the railway infrastructure within BiH, is now legally registered in both Entities. A 61 million Euro EBRD/EIB Railway Recovery Loan was signed on 11 June to re-construct 750 km of main track in BiH. On 4 May, my Office organized a well-attended international conference on the BiH railway situation, which concluded that the system must undergo drastic re-organization to achieve an acceptable level of competitiveness and effectiveness. As a tangible sign of its recovery, international passenger service on the lines Sarajevo-Banja Luka-Zagreb and Doboj-Banja Luka-Zagreb-Ljubljana re-opened on 10 June, after nine years of interruption.

32. Both the Federation and RS have been in negotiations with the EIB for a new Euro 60 million road improvement loan. The World Bank is preparing a new Road Management and Safety Project worth USD 30 million, which will focus on the corridor roads and address road maintenance and safety problems.

f) Telecommunications Sector

33. On 2 March, I issued a Decision establishing the Communications Regulatory Agency (CRA), which combines the competencies of the Independent Media Commission (IMC) and the Telecommunications Regulatory Agency (TRA). The World Bank has offered technical assistance for sector restructuring, privatization and other transition measures. This will cover such areas as re-organizing the separated postal services, offering a concession for the radio transmission infrastructure system and exploring e-commerce opportunities. On 30 April the CRA granted national GSM licenses to the two publicly owned mobile telephone operators, PTT-BiH and Mobilna Srpska and launched the international competitive tendering process for a third BiH-wide GSM license.

g) Energy Sector

34. The adoption of new Electricity Laws by Entity parliaments endorsing, among other things, a new State level regulatory authority and the creation of a single power transmission corporation for BiH are key conditions for obtaining World Bank (IDA) and EBRD approval for a Power III Loan Project worth USD 230 million. Co-financing Power III is expected to come from EIB, Switzerland, Norway, Germany, Spain, Italy and the UK.

III. ANTI-CORRUPTION AND TRANSPARENCY ISSUES

35. The emergence of the so-called 'Croat Self-Rule' and its proclamation to take over Federation public revenues forced me to take decisive action against the financial center of this illegal parallel structure. The Hercegovacka Bank, founded and controlled by Croat hard-line separatist elements through a circuitous ownership structure, served this purpose as the collecting center for all public revenues taxed on Croat-majority territory. My Office had also identified hidden accounts and questionable loan practices to HDZ loyalists. On this basis, I proceeded to place the

bank under provisional administration in order to halt any illegal activities occurring through the bank, as well as to protect the depositors' interests. On April 6 the peaceful takeover of the bank by the Provisional Administrator (PA), with the invaluable SFOR support, was resisted by violent HDZ-organized riots, during which members of my staff working with the PA, as well as several other internationals and BiH nationals, were injured, threatened and taken hostage. A more robust follow-up action on 18 April, again with SFOR backing, was a complete success.

36. Following the Hercegovacka Bank operation on 6 April and the criminal acts committed against the personnel assisting the PA, the Federation authorities started an investigation, with the cooperation of the IC. On 26 April I decided to transfer jurisdiction for the investigation and prosecution of offences to the Cantonal Court of Sarajevo, because of the well-grounded suspicions of local police involvement in the organized rioting and the doubts about the local prosecutors and judges' ability to act impartially in an environment of pressure and intimidation.

37. The PA is faced with a lack of cooperation from the shareholders and management. This has slowed down the c olidation of accounts and hence the investigative process. Nevertheless, the work has gone forward with specialist assistance, though the investigation will need time before it can start delivering concrete results. The PA has undertaken measures to secure the interests of especially the small deposit-holders. Numerous meetings have been held with the shareholders and management and it is hoped that progress will be made so that the future of the bank and its account-holders can be decided. Besides freezing the bank's deposits in the Central Bank, the PA has sought to secure all overseas accounts so that these resources are at the disposal of the depositors.

38. Due to the lack of transparency and continuing suspicions of corruption in public finances, I appointed a Special Auditor to audit and report on the condition of government finances. The reports confirm that the system of public finances is conducive to corruption and fraud, and that the appropriate control mechanisms are lacking or are unable to fulfill their duties. As a result, my Office is developing a strategy to reform the administrative accounting procedures and strengthen the supreme audit, treasury and parliamentary control mechanisms.

IV. RETURN

39. The first five months of this year produced 30.123 "minority" returns (as registered by the UNHCR) indicating that this year's total is likely to be a significant improvement on the 67,000 "minority" returns registered in 2000. However, obstacles stemming from the continuing failure of local authorities to take full ownership of the process have prevented a countrywide breakthrough. Although a State-level Ministry for Human Rights and Refugees (MHRR) has been created, a stronger role in the coordination of return-related issues between the Entities is necessary. While the Federation budget now includes a substantial budget to support returns, I also urged the RS PM to increase the RS Ministry for Refugees' budget and to re-focus it towards Losniac and Croat returns to RS -and Serb to the Federation- instead of only supporting Serb DP's who wish to stay in RS. On several occasions I have used my

Annex 10 powers to warn mayors who obstruct returns and on 1 June, I decided to remove the Mayor and the Head of the Housing Office of Bratunac (Eastern RS) for their continued obstruction of the return process in his municipality.

40. The RRTF (Reconstruction and Return Task Force), with its Economic and Human Rights counterparts, are increasing their focus on sustainability, in particular equal access to economic opportunities. Returnees' efforts to acquire documentation, employment, education and pensions remain problematic. My Office is also working to ensure that returnees can access basic utilities under fair and equal conditions.

41. Refugee return remains negatively affected by the situation in Croatia and the FRY, although there has been some legislative progress recently in Croatia. Overall progress is not sufficient to enable uninterrupted and smooth return. The obstacles include the lack of a transparent legal framework for the repossession of property. Therefore, some 25,000 Croatian Serbs in the western RS continue to await resolution of their status, creating a tough obstacle to Croat and Bosniac return to RS. With regard to return from the FRY to BiH, this is being addressed by the efforts of my Office to improve the overall situation for property repossession in BiH, and through efforts to increase cooperation and dialogue between FRY, BiH and Croatia.

V. PROPERTY

42. According to PLIP statistics, as of the end of May 2001, 51% of property claims have been decided on and 27% resulted in actual repossessions. These results represent an important benchmark in the implementation of property legislation that I imposed in 1999.

43. However, the increase in the rate of implementation of the property laws remains too slow and currently stands at 2% per month in the Federation and 1% in the RS. Local authorities in both Entities will have to significantly accelerate the rate of implementation of property legislation, especially in Eastern RS and, in the Federation, in Cantons 7 (Mostar) and 10 (Livno).

VI. EDUCATION

44. Ministerial commitments and/or commencement of implementation of the following issues have been achieved by my Office during this reporting period:

- Courses in "Human Rights and Civic education" will replace "Civil Defense";
- Classes devoted to the literature of the other constituent peoples of BiH and language modules focusing on their common linguistic heritage and linguistic diversity today are to be prepared for February 2002;
- The subject "Culture of Religions" is to be introduced in September 2002;
- Teaching of the two alphabets is obligatory in both entities as from the second semester of the current school year 2001 (from grade 2 of primary school;
- Textbooks imported from Belgrade and Zagreb, which do not refer to BiH, will be phased out by September 2002;

- A majority of the Federation Cantons are now willing to devolve part of their responsibilities and powers to the Federation Ministry of Education in order to facilitate strategic education planning in the future;
- The inter-entity Educational Standards and Assessment Agency, established by the World Bank, has finally been operationalised.

VII. MEDIA

45. The International Chief Executive of the CRA, who started his mandate in mid-February, has successfully combined the staff and business operations of the CRA's two predecessor organizations, IMC and TRA. Additionally, CRA is continuing the merit-based long-term broadcast licensing process begun by the IMC. Although problems with implementation cannot be ruled out as the licensing process moves into more politically volatile areas, the process has started well, with 100% compliance in the first region covered. The BiH Communications Law, which will provide a legal basis and structural foundation for the CRA, was presented to the CoM on 24 April for consideration.

46. The restructuring of the Public Broadcasting System (PBS) in BiH continues with the simultaneous launch on 7 May of both PBS radio (broadcasting across the whole territory of BiH) and Federation radio. For the first time since the disintegration of the former Yugoslavia, BiH has a statewide broadcasting capability. The citizens of BiH now have a forum available to all, irrespective of ethnicity, to debate crucial issues of the day, free from political subversion and distortion. Currently the PBS radio signal is accessible to approximately 72% of the population. Work to extend the coverage to 85% of the population will continue during autumn 2001, subject to available donor funding.

47. The Federation Parliament adopted in June the Draft Defamation Act. I expect the final vote to be taken at the Parliament's next session in July. In the RS, the Proposed Defamation Act should be considered in the very near future. Following adoption, it will forward the Proposed Act to the RS National Assembly for the final vote.

48. The draft Law on Freedom of Access to Information, prepared by an expert group in coordination with the OSCE and OHR in October 2000, was adopted at the State level, as well as by both the Federation and RS Governments.

VIII. JUDICIAL REFORM

49. On 14 March, I issued a decision providing the Independent Judicial Commission (IJC) with a comprehensive mandate embracing matters regarding the promotion of the rule of law and judicial reform. I followed this with an internal directive clarifying the scope of administrative competencies and powers as between my Office and the IJC. Thus, the basic framework for the IJC is now set. During this period, the IJC has significantly increased its staffing and has been able to begin working on the various issues that fall within its mandate. The Director took up office on 2 April. The IJC is

now established in its own headquarters in Sarajevo and in four field offices (Banja Luka, Mostar, Sarajevo, and Tuzla). I expect the fifth office in Bihac to open soon.

50. The IJC has started the implementation of its strategic plan for the next twelve months and has identified some areas or particular importance to the strengthening of the rule of law in BiH: review of the laws on appointment of judges and prosecutors, criminal and civil procedure reform, review of legislation on enforcement of civil judgements and court administration and management.

51. During the period, there was some progress in these areas, especially with the increased activity of local working groups on law reform issues. I am encouraged to see that there is an acknowledged recognition by the Ministers of Justice of each Entity of the benefits of harmonizing their legislation in key areas, such as procedural laws, and of the need for some problems to be resolved at State-level.

52. The IJC has been monitoring and guiding the work of the national commissions and councils established to improve the process of recruitment of judges and prosecutors and to carry out a comprehensive review of all serving judges and prosecutors. However, political obstruction in certain areas has continued to impede the appointment of prosecutors.

IX HUMAN RIGHTS

1. Human Rights institutions

a) BiH Human Rights Ombudsman

53. The Mostar "Liska Street" incident of February 1997 -denounced by the UN SG-, in which a Bosniac was killed and twenty were injured during a visit to a cemetery for the Bajram, is now under criminal investigation by Mostar judicial authorities, pursuant to recommendations contained in a Special Report of the BiH Ombudsman.

b) Entity Ombudsman Institutions

54. In annual reports released during the reporting period, the RS and Federation institutions highlighted that the top two issues about which individuals register complaints concerned failures to be able to repossess one's pre-war housing, and ethnic discrimination concerning employment.

c) Human Rights Chamber

55. The implementation rate for the decisions of the Human Rights Chamber (HRC) has increased and now stands at 75%, up from 33% at the end of 1999. Similar increases have also been seen with reports of the BiH Human Rights Ombudsman.

56. In order to properly implement the HRC decision demanding the reconstruction of the Ferhadija mosque in Banja Luka, the "urban permit" (originally issued on 22 November 2000) was amended by the local authorities in March 2001.

2. Social, Economic and Gender Rights

57. My Office is developing policies and strategies aimed at remedying the current discriminatory practices in healthcare, access to utilities and employment. It has continued to monitor the implementation of the Entity Labour Laws regarding possible re-employment or compensation for those who were dismissed during the war, and continues to present the principle of conditionality to donor agencies in an effort to establish an equitable employment market. My Office has helped facilitate a system of pension transfer, whereby returnee pensioners can receive their pensions in the place of return, thus facilitating sustainable return all over BiH.

58. As the trafficking of persons in and through BiH persists, my Office continues to participate in the Working Group to Combat Trafficking in Human Beings. It has drafted a BiH Plan of Action to Combat Trafficking in Human Beings, which is pending before the Parliamentary Assembly of BiH.

59. My Office is participating in the review of draft legislation pertaining to the rights of national minorities and gender equality. Members of my staff participate in the recently established Roma Coordination Group, with members from the IC and the Roma community, in an effort to address the widespread discrimination of this often over-looked minority.

3. ICTY

60. My Office has continued to cooperate closely with ICTY, in order to assist with the facilitation of its mandate. In particular, it has worked with ICTY in commenting on the RS Draft Law on Co-operation with ICTY and the BiH Draft Law on the Truth and Reconciliation Commission. Additionally, it has continued to attract investors to support the activities of ICTY's Rules of the Road Unit, principally their proposal for a lecture series involving legal training for members of the BiH judiciary and police force involved in the prosecution of alleged war criminals.

61. It has continued to monitor compliance with the Rules of the Road Agreement and domestic war-crimes trials.

4. Missing persons and Potocari (Srebrenica) memorial site

62. The specific boundaries of the Potocari site, which I designated in October 2000 for the burial and commemoration of the victims of the 1995 Srebrenica massacre, were identified and eventually marked in March.

63. In order to organise and focus the development of the site, the Foundation for the Srebrenica/Potocari Memorial and Cemetery was created and registered. In anticipation of the 6th anniversary of the massacre, the Foundation has agreed on a design and location for a stone to mark the site.

X. LEGAL ISSUES

1. State Institutions: Civil Service and State Court

64. My Office, in collaboration with the EU, is seeking adoption by the CoM of the draft Law on the Civil Service. In order to ensure the effective implementation of such legislation, an Agency for Civil Service will be established. This administrative authority will actively contribute to a professional and standardized recruitment and dismissal process of the civil servants.

65. The Court of BiH, put into law by my Decision of last November, has not yet become operative, because of RS litigation before the BiH Constitutional Court on its constitutionality.

2. Issues Related to the BiH Constitutional Court's Decisions

66. On 23 March, the BiH Constitutional Court found itself competent to review the constitutionality of the legislation that I imposed. It found the Law on Travel Documents -providing for a single BiH passport- that I imposed on 29 September 2000 to be consistent with the BiH Constitution.

67. The Constitutional Commissions in both Entities are progressing in the preparation of proposals for the amendments of the Entity constitutions in accordance with last year's Constituent People's Decision of the BiH Constitutional Court. Although OHR observers are present at commission meetings, the process is very much left to their own responsibility at this stage. Both Commissions have come to agreements on most issues. In RS, the constituent peoples' vital interest will probably be protected by a Commission. In the Federation, the Constitutional Commission has left options for the Federation Parliament on sensitive issues such as the new parliamentary structure, including any "vital interest" protection mechanism.

68. The process in the Federation has been considerably delayed by the general attitude of the HDZ. Although I invited this party on numerous occasions to participate in the work of the Constitutional Commissions, it refused the invitation, following its pattern of anti-constitutional behaviour. Eventually, I was forced to appoint Croat members from other political parties.

3. Other legal issues

69. In February I issued a Decision imposing binding arbitration on the RS and the Federation aimed at finally resolving the long standing dispute over the precise delineation of the IEBL in the Dobrinja suburb of Sarajevo. The appointed Arbitrator finalized the arbitration process and the Award was issued on 24 April. The resolution of this issue will not only have a positive impact on the return of former Dobrinja residents to their homes, but will also create a positive environment for the full implementation of Annex 7 to the GFAP.

70. I am pleased to report that BiH is reforming the legal aspects of public water management in accordance with European Union directives and principles of international law.

71. My Office is currently pressing for the adoption of the Federation Law on Citizenship by the Federation Parliament. It is now for review under an urgent procedure. Its adoption is indeed crucial, since many former citizens of the SFRY who took up permanent residence in BiH before 1998 became eligible for BiH citizenship as of 1 January 2000 and are unable to do so in the absence of a Federation Citizenship Law.

72. Under my separate mandate for SFRY succession, I mediated the final round of the negotiations on succession to the SFRY, together with the Special Negotiator, Sir Arthur Watts. On 25 May, the five successor states (BiH, Croatia, FYR of Macedonia, Slovenia, and FRY) initialed an agreement that provided for the distribution of the SFRY's rights, obligations, assets and liabilities.

XI. MILITARY ISSUES

1. Defence and Military Reform; Development of a State-level Defence Institution

73. Although I still consider the overall process towards BiH armed forces integration and the building of a State level security and defence identity too slow, a significant step was taken on 11 May when the BiH Presidency adopted a BiH Defence Policy (DP). Its adoption has clearly strengthened the authority of the Presidency in the area of defence and security. This in turn is expected to strengthen the position and authority of the Standing Committee on Military Matters (SCMM) and its Secretariat.

2. Re-structuring of the Entity Armed Forces

74. Under the lead of SFOR, both Entities' armed forces have now achieved the necessary 15% reduction in size. The re-structuring work is now being taken forward under the guidance of the Joint Military Commission, which engages representatives from both BiH and the IC.

3. De-mining

75. Following the publication on 23 March of the Federation Finance Police report into corruption within the de-mining operations, confidence has started to return among donors. Some pledges have been received, notably from Germany, USA, Canada, Sweden and Slovenia, which will provide for over half of the required 2001 budget. However, more funds are required and other donor nations would like to see a greater contribution from within BiH to show a commitment equal to that of the IC. Furthermore, some pledges have not yet been converted to actual funding. Joint Chairs of the Boards of Donors have written to the MCAC offering advice on how both of these problems may be addressed.

76. The Demining Commission is pushing ahead with the drafting of a De-mining Law to streamline the structure of the de-mining organization (something that the IC is keen to see), avoid redundancies and create a legal basis for de-mining activities within BiH.

4. Civil Aviation

77. The new CoM accepted the advice of my Office, SFOR and ICAO and established a CoM Working Group (WG) for Civil Aviation. At the 14 June session of the International Standing Committee for BiH in Sarajevo, following considerable effort from my Office and ICAO to provide technical and political advice to the CoM, the recommendations of the WG for the transfer of authority from SFOR to civil aviation in BiH, were approved. In essence, it was agreed that:

- BiH should join the Central European Air Traffic Services (CEATS) for the provision of air traffic services in the upper air space;
- Provision of air traffic services in middle and lower airspace should temporarily be contracted to a single service provider, Croatia Control Limited (CCL), for as long as NATO controls operational military flights in that airspace.

OHR Report of the High Representative
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